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THE Demand and Price SITUATION

BUREAU OF AGRICULTURAL ECONOMICS
UNITED STATES DEPARTMENT OF AGRICULTURE

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WHOLESALE PRICES AND RATIO, FARM AND NONAGRICULTURAL PRODUCTS, UNITED STATES, 1910-44

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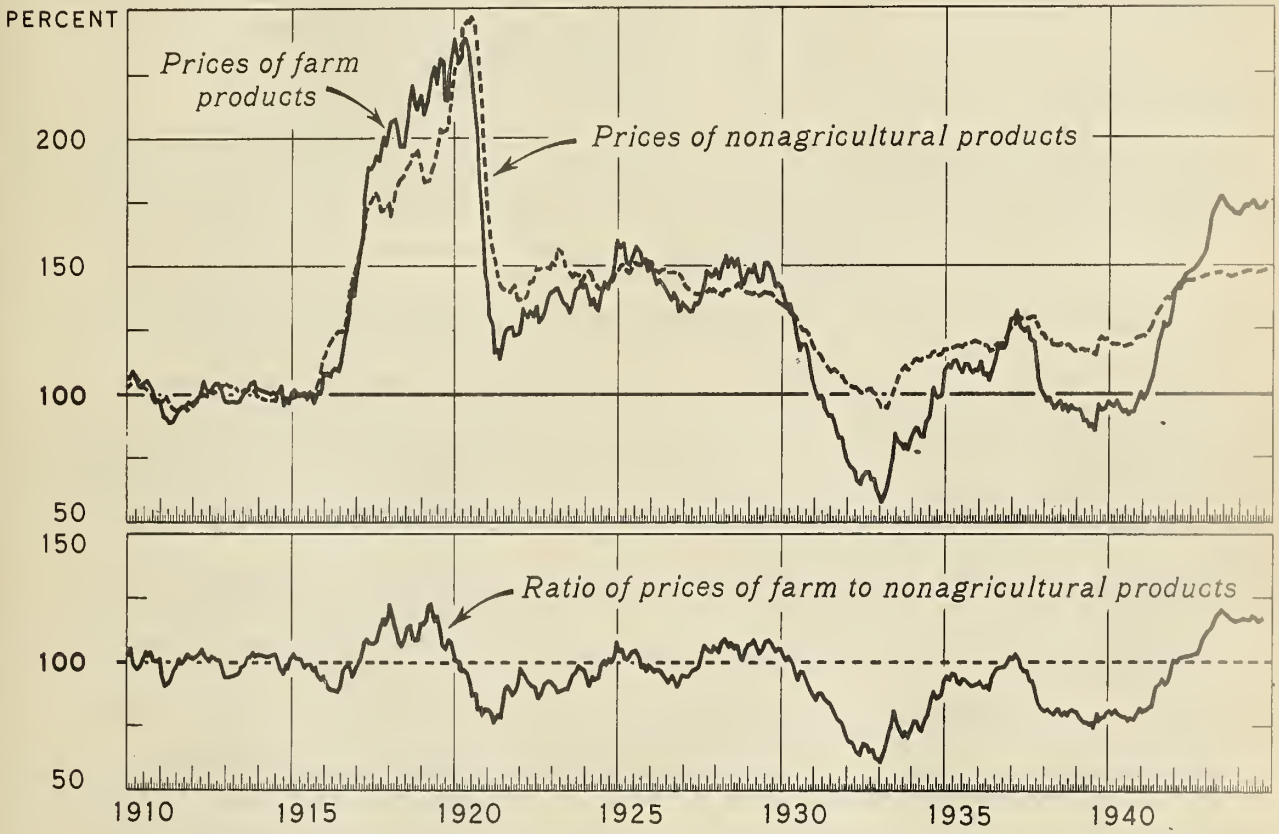

U. S. DEPARTMENT OF AGRICULTURE NEG. 24992 BUREAU OF AGRICULTURAL ECONOMICS

With few exceptions prices of nonagricultural products were higher than those of farm products, relative to the 1910-14 relationship, from 1930 to 1941 inclusive. During 1941, 1942 and the first half of 1943, the prices of farm products rose much more rapidly than other prices. Since July 1943 the prices of both groups of commodities have been unusually stable. The rise in prices since the beginning of the present war has been less than during World War I, particularly for nonagricultural products.

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THE DEMAND AND PRICE SITUATION

CONTENTS

	Page		Page
Demand for Farm Products	2	Corn and Other Feed	9
Employment and Payrolls	3	Wheat	9
Government Finance	4	Fruit	10
Agricultural Prices	4	Truck Crops	11
Farm Income	5	Potatoes and Sweetpotatoes	12
Livestock and Meats	5	Dry Edible Beans	13
Dairy Products	7	Cotton	13
Poultry and Eggs	7	Wool	14
Fats, Oils and Oilseeds	8	Tobacco	15

DEMAND FOR FARM PRODUCTS

Demand for farm products is likely to continue at present wartime levels throughout most of 1945. Regardless of the course of the war the demand for many farm products, at ceiling prices, may continue to exceed supplies in 1945.

Consumers food costs in large cities in recent months have been slightly lower than they were in midsummer. The index for November 1944 was 136.5 1/ as compared with 137.7 in August and the peak of 143.0 in May 1943. Nonfood costs have been following a somewhat different trend. The index for November was 126.5. This is the same as for September and is the highest figure reached during the present war. The largest increases in living costs during the past year have been in house furnishings and clothing, although costs of all groups except food have increased somewhat.

Industrial production increased slightly in October and remained unchanged in November after slowly declining during the first 3 quarters of 1944. The seasonally adjusted index for October and for November was 232 2/, as compared with 230 in September and the peak of 247 in November 1943. The

1/ Bureau of Labor Statistics, 1935-39 = 100.
2/ Federal Reserve Board, 1935-39 = 100.

difference between November and September resulted from a 4-point rise in the index for nondurable manufactured goods. The output of durable manufactures was the same in both months, while that of minerals was 1 point lower. In December and early January increased production in certain lines to meet war needs seemed to have been largely offset by declines in other lines of production.

January 17, 1945

EMPLOYMENT AND PAYROLLS

The total civilian labor force for the United States for December 1944 was 51.2 million persons. 3/ This is 700,000 or 1.3 percent below the labor force one year earlier but is 4.5 percent below the December 1941 figure, which is the largest ever recorded for that month. Total employment in December 1944 of 50.6 million was only 440,000 less than the number employed one year earlier. A decline in the number of unemployed to new low levels during the past year prevented employment from shrinking as much as the labor force.

The total number employed in nonagricultural establishments for December 1944 was 38.9 million, 4/ which is 1.3 million or 3.2 percent smaller than the number employed in December 1943. The decline in the number employed in manufacturing industries amounted to 1.4 million persons or 8.4 percent. There was also some decline in employment in mining and in the construction industries. These declines were partly offset by an increase of 165,000 in the number employed in the finance, service and miscellaneous group of industries, 103,000 in trade and by smaller increases in transportation and public utilities and Government.

The decline in the number employed in manufacturing was accompanied by substantially smaller declines in the output of manufactures and in factory payrolls. Furthermore, factory employment has continued to decline during the last few months, although at a slower rate than during the first half of 1944, while both factory output and factory payrolls have increased slightly since July 1944.

The index of factory payrolls reached a peak of 357.9 5/ in November 1943. It declined gradually from that point to 330.7 in July 1944, but recovered to 335.0 in October. Factory payrolls per employed worker have increased throughout the past year and in October 1944 the index of 216.7 was 6.4 percent above a year earlier. During the same period, the average weekly earnings of factory workers increased 3.7 percent and average hourly earnings 3.5 percent.

3/ Bureau of the Census.
4/ Bureau of Labor Statistics.
5/ Bureau of Labor Statistics 1935-39 = 100.

In spite of the decline in factory payrolls, nonagricultural income payments have continued to increase. The seasonally adjusted index for October 1944 was 231.0 -- 8.3 percent above October 1943. Most of this increase was the result of larger payments to military personnel and their dependents as a result of increased numbers in the armed forces, mustering-out pay and other factors. Salary and wage payments in commodity producing industries, and dividend and interest payments were both slightly smaller in November 1944 than a year earlier.

GOVERNMENT FINANCE

The budget expenditures of the Federal Government for the calendar year 1944 totaled 97.2 billion dollars, 9.1 billion or about 10 percent more than in 1943. However, the increase in Federal expenditures appears to have stopped by March 1944. Since that time there have been sizeable fluctuations from month to month, but no apparent upward trend.

Net budget receipts for the year 1944 were 44.3 billion dollars. This is 9.7 billion or 28 percent more than the amount received in 1943. As a result of these changes, the net budget deficit of the Federal Government for 1944 of 52.7 billion dollars was about 1.5 percent smaller than for 1943.

The President in his recent budget message estimated that approximately 87 billion dollars would be needed for the fiscal year 1946. Needed appropriations for war purposes were estimated at 73 billion dollars or approximately 84 percent of the total. These were presented as tentative and subject to considerable revision. The sum involves only 59 billion of new appropriations. The remaining 14 billion may be obtained by reappropriation of funds previously provided but not yet obligated. The total compares with 97 billion for the current fiscal year and the peak of 128 billion for the fiscal year 1944.

Net receipts of the Government are expected to decline to 41.3 billion dollars in the fiscal year 1946, as compared with 45.7 billion in 1945. It is expected that this decline will result from the inability of industry to convert to the production of civilian goods as rapidly as the Government purchases of war goods decline. The decline in Government expenditures will temporarily reduce the income of corporations and individuals and income tax receipts will be smaller. Also reduced incomes will cause some decline in the demand for farm products.

AGRICULTURAL PRICES

The index of prices received by farmers for December 1944 was 200. 6/ This is the highest figure reached during the present war and is four points above the index for November. The increase in prices for December was entirely the result of higher average prices received for crops. The December index of crop prices was 196.7 points above November, while the December index for livestock and livestock products was 203, unchanged from November. Average crop prices increased slightly in the first half of January but there was little change in the average for livestock and livestock products.

6/ [illegible] 14 = 100.

Prices of truck crops showed the largest increase of any group in December. The index for that month was 228 -- 40 points above November. However, most of this increase was seasonal. The seasonally adjusted index rose only 3 points from November to December. Contrary to their usual seasonal trend, prices of fruit rose 11 points to make the December index 206. There was also a contraseasonal rise of 4 points to 211 in the index of prices of poultry and eggs.

The index of meat animal prices for December was 198 -- 2 points below the previous month but 4 points above December 1943. Meat animal prices are now slightly lower than they have been since last July, although still above the level of December 1943.

Average prices received for dairy products in December were the same as for the previous month and a year earlier. The index was 203. Prices for dairy products gradually declined from December 1943 to June 1944. From June to November, in conformance with their usual seasonal trend, they rose 11 points or nearly 6 percent.

FARM INCOME

Total cash receipts from farm marketings for January are now estimated at 1.6 billion dollars, 6 percent less than the income of 1,704 million dollars for December, but 4 percent greater than total receipts in January last year. Income from crops was down substantially from December as receipts from cotton and wheat declined seasonally. Marketings of deciduous fruits dropped sharply as is usual at this season and even though prices advanced somewhat, a pronounced decline in income took place. Cash receipts from citrus fruits also dropped largely because of a decline in the price of oranges. Income from vegetables rose, due especially to seasonal increases in sales of potatoes, cabbage, and lettuce.

Receipts from livestock and livestock products declined slightly from December to January. Income from meat animals remained about the same, since receipts from hogs rose while income from cattle and calves declined by about the same amount. Receipts from dairy products increased as total milk production rose although prices dropped slightly. Income from poultry and eggs was down sharply. Marketings of eggs increased, but prices fell off. The quantity of chickens sold was down and prices advanced slightly. A sharp seasonal decline in turkey marketings occurred.

Market prices in the middle of January indicate that prices received by farmers in January were slightly above December. Prices for crops showed a small percentage gain, but prices of livestock and livestock products remained about the same.

LIVESTOCK AND MEATS

Throughout the first half of this year, prices for all meat animals probably will be near the maximum levels permitted by wholesale meat ceilings and ceilings on live animals. Civilian meat supplies in the first half of 1945 may be about 15 percent smaller than a year earlier and 10 to 15 percent lower than in the last half of 1944. Total meat production will be much lower than a year earlier. A sharp cut in pork output and a moderate reduction in

lamb and mutton production will not be offset by a prospective increase in beef and veal output. Military requirements will continue large and procurement for lend-lease probably will be relatively large in the first quarter.

The Office of Economic Stabilization directed the Office of Price Administration, War Food Administration, and Defense Supplies Corporation to make major changes, effective January 29, 1945, in the maximum price and subsidy payment regulations of the Cattle Stabilization Plan. The Cattle Stabilization Plan, as inaugurated in late 1943, set a specific price range for the total cattle slaughter of individual slaughterers based upon the location of the slaughtering plant and upon the live weight slaughter by grades. Maximum and minimum prices by grades were established for all markets and for all areas in the United States. DSC deducted from a slaughterer's subsidy payment the amount which the total cost of cattle fell outside the stabilization range during a monthly period.

The important price-control features of the revised plan are: (1) OPA and WFA are directed to establish an over-all ceiling on live cattle and calves on the basis of $18.00 at Chicago until July 2, 1945, when this ceiling will be lowered to $17.50. In each zone or market, this over-riding ceiling is $1.00 per 100 pounds over the revised maximum for the Choice grade. (2) OPA and WFA are directed to increase the maximum limits of the stabilization range for Choice cattle by $1.00 per 100 pounds and Good grade cattle by 50 cents, and to increase the minimum for the Choice grade by 50 cents. The new price range for Choice cattle at Chicago is $15.50 to $17.00. The price range for Good grade is $14.25 to $15.75. However, on July 2, 1945, the maximum and the minimum of the stabilization range for Choice cattle will be reduced by 50 cents per 100 pounds live weight. OPA and WFA are directed to revise the minimum prices on the commercial (or medium) and lower grades to make them uniformly $1.50 per 100 pounds under the maximums in all zones and markets. (3) OPA and WFA will issue a regulation making it an OPA violation for a slaughterer to pay more, on the average, than the maximum prices of the new stabilization range for the cattle slaughtered by him over a month's period. (4) Under the regulation special provision will be made to limit the cattle costs of small slaughterers who are not required to report their costs to DSC and who do not obtain subsidy payments.

Under the new regulations, cattle prices may average about the same in the first half of 1945 as in the first half of 1944, when cattle costs averaged within the initially established stabilization range. Prices may average higher in the last half of the year if marketings are not materially larger than in the same period of 1944. Higher average prices for all cattle in the last half of 1945 would result by reducing prices for high grade cattle, thereby permitting higher prices for the lower grades. A strong demand for all types of cattle by slaughterers will tend to hold prices for feeder cattle at a relatively high level so that the number of cattle to be fed for market in the last half of 1945 may tend to be relatively small.

The War Food Administration has asked hog producers having adequate feed supplies to keep additional sows suitable for farrowing next spring to meet a goal of 57.5 million pigs. An analysis of farmers' intentions for spring farrowings in December indicated that an 11 percent increase over the intentions is needed to meet this production goal. WFA has announced an extension until March 31, 1946, of the present support price for hogs at $12.50 per 100 pounds, Chicago basis, for Good and Choice butcher hogs weighing 200 to 270 pounds.

DAIRY PRODUCTS

The demand for dairy products since the end of 1942, except for nonfat milk solids, has exceeded supplies at ceiling prices. No change in this situation is in prospect at least in the immediate future.

Because of the absence of seasonal adjustments in wholesale and retail ceiling prices of dairy products, changes in prices received by dairy farmers for wholesale milk during the next 6 months will be due to shifts in utilization. Milk production will increase seasonally so that a larger proportion of the output will be going to lower price uses. Accordingly, prices will decline seasonally. But such declines will be much less than usual, and prices received by farmers for dairy products probably will average about the same as in the first 6 months of 1944. Average per unit returns, including dairy production payments, however, will continue at record levels at least during the first quarter of 1945, for which period dairy production payments have been announced. For the January through June period of 1944, the average price received by farmers for wholesale milk was $3.23 per hundredweight.

Milk production on farms during 1944 totaled 119.2 billion pounds, almost equalling the previous 1942 record. For the first part of 1945, milk production is expected to continue at the record annual rate of 120 billion pounds reached in the last quarter of 1944, reflecting high unit returns and ample feed supplies.

POULTRY AND EGGS

The demand for poultry products during the first half of 1945 will be stronger than in January through June 1944. Reflecting smaller supplies of meat and favorable consumer income, per capita consumption of eggs probably will be at least at the previous record annual rate of 353 eggs achieved in 1944. Egg production for the first 6 months of 1945 may be smaller than in 1944, but if it is unnecessary for the Government to purchase large amounts for price-support purposes, the number of eggs used in dehydrating probably will be much less, so that the quantity of eggs available for civilians may be larger. Prices received by farmers for eggs for the first half of 1945 may average at least the same as in the corresponding period of 1944. The January through June 1944 average farm price of eggs was 29.8 cents per dozen, 94 percent of parity.

During the first half of 1945, supplies of chicken meat will be far short of the demand at ceiling prices. This is in contrast to the situation which existed during a good portion of 1944 when poultry prices were below ceilings. Accounting for this difference are significantly larger military requirements, a smaller meat output, and declines in chicken marketings. In

order to aid the military to obtain its needs, WFO 119, which became effective December 11 in the Shenandoah Valley and Del-Mar-Va peninsula, was extended on January 8 to parts of Georgia, and on January 15 to the important broiler producing counties in Oklahoma, Missouri, and Arkansas. The order virtually prohibits the sale of chicken meat in the affected areas to any one but the armed forces. In 1943, 145 million broilers, 58 percent of the total commercial broiler output, were grown in the mentioned States.

Farm egg production in 1944 totaled 4,790 million dozen, 6 percent above the previous 1943 records, and 58 percent greater than in the pre-war (1935-39) era. Of the 1944 output, approximately 20 percent was utilized for dehydrating purposes.

FATS, OILS, AND OILSEEDS

Reduced supplies of fats and oils in 1945 and continued strong demand are expected to maintain prices of fats and oils at ceiling levels. This would place the index of wholesale prices of 27 major fats and oils in 1945 at 108 percent of the 1924-29 average, the same as in 1944. Production of inedible tallow and edible vegetable oils may be moderately larger than in 1944, but output of lard and grease will be substantially smaller. Production of linseed oil in early 1945 from domestic flaxseed will be much smaller than a year earlier because of the reduced 1944 crop.

An amendment to the Federal Crop Insurance Act, approved December 23, 1944, authorized appropriation of 30 million dollars to the War Food Administration to be paid to producers to encourage increased production of flaxseed in the 1945 crop year. Payments of $5 an acre to cooperating farmers for each acre planted up to the individual farm goal recently were announced. The total acreage goal for flaxseed in 1945 is 5 million planted acres, an increase of 64 percent over last year. The sum of the farm goals, however, may exceed the State and county goals by 20 percent, so that it is possible that payments may be made on a total of 6 million acres. A tight supply situation in linseed oil is in prospect before new-crop flaxseed becomes available this year.

Supplies of food fats for civilians in 1945 may be smaller than in 1944. Output of butter probably will be reduced moderately from the low 1944 level, and stocks of butter at the beginning of 1945 were substantially less than a year earlier. Production of lard in 1945, at about 2.4 billion pounds, will be 25 percent or more below the record 1944 level. If exports continue at the high 1944 rate, the supply of lard for civilian consumption in 1945 will be reduced by 10 to 15 percent. Civilian consumption of margarine may increase slightly in 1945. Supplies of shortening and edible oils for civilians will be approximately the same as in 1944.

Average prices received by farmers for soybeans and flaxseed in mid-December, at $2.05 and $2.90 per bushel, respectively, were the same as a month earlier. Mid-December prices to farmers for peanuts averaged 8.15 cents per pound, slightly higher than a month earlier. Cottonseed prices, at an average of $53.10 per ton, were slightly lower than in mid-November.

CORN AND OTHER FEED

With more abundant supplies in relation to requirements, prices received by farmers for corn, oats, and grain sorghums are expected to average slightly less in the 1944-45 season than in the previous season. Prices of barley and hay, however, probably will average slightly higher. Byproduct feed prices, most of which have been at or near ceilings for more than a year, are expected to remain near present levels for at least the next few months.

Total domestic disappearance of corn and oats for all purposes during the October-December quarter was 9 percent smaller than in the corresponding period a year earlier, reflecting in large part the reduced numbers of livestock on farms. Domestic disappearance of corn for all purposes during the quarter was 9 percent smaller than a year earlier, but 14 percent larger than the average for that quarter in the 5-year (1938-42) period. Domestic disappearance of oats during October-December was also 6 percent smaller than a year earlier.

Combined stocks of corn and oats on January 1 were 8 percent larger than on January 1, 1944, and were the third largest on record for that date, being exceeded only in 1942 and 1943. The rate of feeding per unit of livestock production is indicated to be about as high as in 1943-44. With feed requirements reduced and corn supplies relatively large, a carry-over of corn about double the carry-over at the end of the 1943-44 season is in prospect for the end of the present marketing year. Carry-over of oats next July 1 probably will be moderately larger than a year earlier.

Based on reports from crop reporters, stocks of hay on farms January 1 were about 2 percent smaller than a year earlier, but about average in relation to the number of hay-consuming livestock being fed.

A relatively large quantity of high-moisture corn was marketed at reduced prices during November and December. Local market prices of corn at mid-December averaged $1.06 per bushel, the same as a month earlier, although terminal market prices of best grades of corn advanced almost to ceilings during the month. Local market prices of oats, barley, and hay advanced seasonally during the month ended December 15.

War Food Administration announced plans to purchase 50 million bushels of corn from farmers for use as an emergency reserve. The corn is to be held in farm cribs and delivered to WFA during the summer months at applicable ceiling prices for corn grading No. 3 or better, and at market prices for corn grading below No. 3. Purchase of this quantity of corn plus smaller quantities of corn being purchased by WFA for export purposes will be strengthening factors in prices of feed grains during the next few months.

WHEAT

Wheat prices on January 7 generally were about the same as a month earlier, but the price of soft white in the Pacific Northwest was up 2 cents. Prices of high protein hard wheats as well as of soft red wheat continue at about ceiling levels, but the prices of ordinary protein hard wheats and soft white are generally 6 to 9 cents below ceiling levels.

High protein wheats may be expected to continue at or near ceiling levels as a result of strong demand for limited market supplies of this type of wheat. The price effect of any moderate increase in movement to market, accordingly, would be expected to be largely confined to the lower protein hard wheats, the supplies of which are relatively plentiful.

An amendment to the flour subsidy regulations, effective January 1, has resulted in an increase in demand from mills east of the Rocky Mountains for soft white wheat to substitute for soft red winter, the price of which has been at ceiling prices owing to the tight supply situation. The amendment established two subsidy rates to millers in the place of one previously in effect — one (27 cents per bushel) for the Pacific Coast area and another (23 cents per bushel) for the balance of the United States. Increased demand for white wheat from the Pacific area results from the fact that mills east of the Mountains are privileged, under the amendment, to apply the Pacific Coast subsidy to wheat purchased from that producing region. The payment of the flour subsidy stems from the fact that wheat prices have advanced above the wheat price-equivalent of the flour ceilings. The payment, which approximates the difference between these two levels, is made to avoid increases in flour and bread prices.

During the past month Government purchases of flour have again become a market factor. As shipping space becomes increasingly available, this factor should become more important. The program to facilitate the exportation of wheat and flour originally announced on November 11 was modified, effective January 4, in two important respects; (1) Payments on wheat grain exports were temporarily suspended, and (2) the flour program was expanded to include all neutral or friendly countries, instead of being restricted only to the Western Hemisphere. Through January 17, exports of flour under the program amounted to the equivalent of about 6 million bushels of wheat, and wheat grain less than 0.2 million bushels. The price differentials for exports by water from Atlantic and Gulf ports now in effect are the equivalent of 34 cents per bushel of wheat, which approximates the amount that United States prices are above the level of prices in other exporting countries.

FRUIT

Despite a large volume of shipments, prices for fresh fruits at terminal markets were fairly steady during December under the influence of a strong consumer demand. On such markets during early January, prices for apples and pears continued fairly steady, but those for citrus fruits and grapes generally declined. At mid-January, prices for oranges, grapefruit, apples and grapes generally were higher than a year earlier, but for lemons and pears were lower. Weekly carlot shipments of citrus fruits during December were seasonally in large volume to supply the usual brisk holiday trade, but shipments of deciduous fruits, taken from storage stocks, declined seasonally. Prices for citrus fruits during January and February are expected to decline with a slackening in demand and continued large market supplies. Prices for apples and pears, however, are expected to advance seasonally.

Civilian supplies of fresh citrus fruits during this winter season are expected to be generally plentiful and nearly as large as supplies during the preceding winter season. Prospective total production of citrus fruit during the 1944-45 season is nearly as large as in 1943-44, with a 13 percent reduction in grapefruit partly offset by increases in lemons and limes. Supplies of fresh apples and pears are expected to be substantially larger this winter season than the short supplies a year earlier. Commercial stocks of fresh apples and pears in cold storage January 1, 1945, were 57 percent and 99 percent larger, respectively, than stocks a year earlier, and commercial stocks of frozen fruits were 19 percent larger. Supplies of commercially canned fruits are considerably larger this season than last, but because of increased noncivilian requirements civilian supplies are slightly smaller.

TRUCK CROPS

Commercial Truck Crops for Fresh Market

Terminal market wholesale prices declined moderately to sharply for most fresh market truck crops in the first 2 weeks of January. The weighted average wholesale price of 14 important vegetables on the New York market during the week ended January 13, 1945, is about 6 percent lower than the level for the week ended December 16, approximately a month earlier, and is about 9 percent lower than for the corresponding week of the year in 1944.

The ceiling prices established December 28, 1944, by the Office of Price Administration on eggplant and sweet peppers for the period January 1 to July 15, 1945, are the same as those announced July 14, 1944. These prices are slightly higher than those in force during 1944, reflecting an increase in parity for these two vegetables. OPA also restored country shipper ceiling prices for snap beans and cucumbers to their former levels for the month of May, removing the "disaster" increase granted for that month in 1944. (MPR 426, Amdt. 76).

In recognition of the damage done by the Mid-December freeze, the Office of Price Administration has announced new country shipping point ceiling prices effective for the month of January 1945 on Florida-grown snap beans, cucumbers, eggplant, green peas, and sweet peppers (MPR 426, Amdt. 78).

Aggregate tonnage of 17 commercial truck crops to be available for the fresh market during the winter season of 1945 is indicated by the January 9 report of the Crop Reporting Board to be about 12 percent below the tonnage produced in the corresponding season of 1944, though 40 percent above the 10-year (1934-43) average. However, the tonnages so reported do not take account of quantities of storage crops such as onions, carrots, and cabbage from 1944 crops that will continue to be available during the first quarter of 1945.

Shipments of truck crops for fresh market, excluding potatoes and sweetpotatoes, totaled 23,171 carloads by rail and boat in December 1944, which was 11 percent more than in the previous month, and only 2 percent below the number of carloads shipped by rail and boat in December 1943.

The unadjusted index of prices received by farmers for commercial truck crops for fresh market in 1944 (1910-14 = 100) increased from 188 in November to 228 in December, bringing the index for December above the 223 level of a year earlier and not far from the record high December index of 236 in 1942. This rise is somewhat greater than the usual rise for this season of the year and reflects a high level of purchasing power on the part of consumers, in addition to the usual holiday season stimulus to demand.

In view of the prospects for a continued high level of consumer demand, it is probable that farmers will continue to receive prices for fresh market truck crops during the 1945 winter season as high as or higher in general than they received during the fall 1944 season just ended, and perhaps nearly as high as the very high levels of the 1944 winter season.

Commercial Truck Crops for Processing

There has been no important change in the past few months in the outlook for civilian supplies of commercially canned vegetables. Whether civilian per capita consumption of canned vegetables in 1944-45 will equal that estimated for 1943-44, or will be perhaps as much as 10 percent lower is an open question. It will now be determined largely by the quantity that will be taken by the military and other noncivilian users, and by the extent to which the carry-over stocks at the close of the fiscal year are lowered from levels experienced so far during the war, toward stocks that would be considered reasonable in normal times.

POTATOES AND SWEETPOTATOES

In reflection of a strong demand and rapidly disappearing supplies, recent prices for 1944-crop late potatoes at country shipping points and terminal markets have been at or near ceilings. Because supplies are short in relation to demand, prices are expected to continue to advance seasonally, conditioned by scheduled monthly increases in ceiling prices, which total 35 cents per 100 pounds from January to May 1945. Potatoes have been disappearing at an unusually rapid rate this season, and this points to fewer potatoes than usual at the end of the season next spring.

Prospective production of 1945-crop early potatoes in Florida and Texas is about three-fifths larger than production a year earlier. However, such potatoes constitute but a small percentage of market supplies during the winter season. Recent prices for these new potatoes have been slightly higher than a year ago.

Prices for sweetpotatoes in the New York City and Chicago wholesale markets advanced slightly from early December to early January, reflecting ceiling levels for the better varieties and grades. Further seasonal advances in prices, limited by scheduled monthly increases in ceilings, appear likely in view of the rapidly disappearing supplies.

DRY EDIBLE BEANS

For the current crop year, 1944-45, supplies of beans (other than Pinto) are considerably short of total needs, and the carry-over at the end of the crop year is likely to be at a very low level. Stocks of dry edible beans on December 1, 1944 were approximately 1.5 million bags (100 pounds, uncleaned) on farms and 7.8 million bags (100 pounds, cleaned) in the usual commercial bean storage places and in War Food Administration storage places, in and near producing areas. These stocks are comparable to the 3.1 million bags (uncleaned) on farms and 9.4 million bags (cleaned basis) in commercial storage on December 1, 1943. Except for commercially stored Pinto and Red Kidney beans, both farm and commercial stocks of all reported varieties were smaller on the more recent date.

Prices received by farmers for dry edible beans have held steady for the past several months at levels supported above the f.o.b. ceilings for country shippers. In the light of the prospective continued demand, prices will undoubtedly continue at such levels throughout the rest of the 1944-45 crop year.

COTTON

During December 760,740 bales of cotton were consumed by domestic mills. This compares with 836,541 bales in November and 851,180 bales in December 1943. Taking account of the number of working days, the December consumption was equivalent to an annual consumption rate of 9,741,000 bales. This compares with an annual rate of 9,661,000 bales based on the average consumption per working day for the 5-month period August-December and a 1943-44 total consumption of 9,943,000 bales. The failure of production of cotton textiles to be higher, mainly because of the decline in employment in textile mills, is a problem of such concern that some soldiers with cotton mill experience have been furloughed and sent to work in cotton mills as a means of increasing output of certain military textiles, principally tent twills and duck. In such cases the soldier receives the regular textiles wage for the particular work plus his regular Army pay.

During the month ended January 15, cotton prices averaged higher than in any other like period during the current war period. The 10-market average of Middling 15/16-inch cotton was 21.72 cents per pound and ranged from 21.56 in the early part of the monthly period to 21.89 in the latter part. In the corresponding period a month earlier, the 10-market price ranged from 21.24 to 21.61 and averaged 21.43 cents. Among the factors which influenced the recent strength in cotton prices were (a) military developments which were interpreted as prolonging the period in which military purchases of textiles and the strong civilian demand for textiles assure mills an outlet for all the textiles they can produce, (b) a general belief in trade quarters that no legislation will be enacted by the new Congress which will result in lower cotton prices, and (c) the growing evidence that the downward trend in domestic cotton consumption has been arrested, at least temporarily. Despite the gain in the price of Middling 15/16-inch cotton, it is still below the parity equivalent in those Southern and Western spot markets for which quotations are regularly available.

From November 15, when the export payment rate of 4 cents per pound for American cotton became effective, until January 6, 149,349, bales were registered as having been sold for export. During this time the prices of American and Indian cotton have risen and Brazilian cotton and Mexican cotton have dropped. For the 4 Fridays preceding the announcement of the export payment rate on November 15, the price of Middling 15/16-inch cotton at New Orleans averaged 21.30 cents per pound. This compares with an average spot market price of 14.69 cents for Type 5 Brazilian at Sao Paulo, 18.22 cents for Middling 15/16-inch at Torreon, Mexico, and 15.73 cents for March 1945 Jarilla Futures at Bombay. 1/ By January 12, American cotton had averaged 35 points above this average and Indian cotton 159 points, while Brazilian cotton had declined 53 points and Mexican cotton, 13 points. Consequently, on these latter dates, American cotton was 7.36 cents higher than Brazilian cotton as compared with 6.61 cents in the pre-announcement period, 3.56 cents higher than Mexican cotton as compared with 3.08 cents in the earlier period, and 4.33 cents over Indian cotton as compared with 5.57 cents. The competitive position of American cotton, although substantially improved with respect to Indian cotton, has become even less favorable with respect to both Mexican and Brazilian cotton, since the export payment rate first went into effect.

WOOL

The Commodity Credit Corporation will again purchase the entire domestic production of wool in 1945 and prices to domestic wool growers will be the same as in 1944, except for changes resulting from variations in quality and shrinkage. The 1945 program, which became effective January 1, is essentially the same as the 1944 program. Established wool dealers and cooperative associations will continue to purchase, store, and sell domestic wool for the account of the Commodity Credit Corporation. Growers will receive prices in line with ceiling value based on grade, quality and location, less specific allowances to cover transportation and marketing costs. Wool will be sold to manufacturers at ceiling prices. Prices to growers averaged 40.6 cents a pounds in 1944 (unweighted 12-month average) compared with 41 cents in 1943 and a 1935-39 average of 23.8 cents.

1/ Although comparisons are often made between the price series used in this section, it should be noted that there are several reasons why they are not exactly comparable. The qualities of cotton quoted are not exactly equivalent; American cotton is on a gross weight, whereas other growths are on a net weight basis; the Brazilian and Mexican prices are at interior markets rather than at ports; and there is an export tax on Brazilian cotton. Furthermore, there are a number of cost items involved in the movement of these kinds of cotton to an importing country which may differ substantially for the different growths at any particular time. The most important of these, particularly in times of war, include ocean shipping rates and insurance. Nevertheless, changes in the price spreads between these various markets from one time to another, and especially over periods in which shipping rates and other costs remain essentially unchanged, are indicative of changes in the competitive price position of these particular qualities of American and foreign growths.

World production of wool, which has been maintained at a record high level during the war years, now appears to have turned downward. Production in 1944, on the basis of estimates for the principal producing countries, apparently was about 6 percent smaller than the 1941 peak production of 4.2 billion pounds. But production remains well above the 1934-38 average production of 3.7 billion pounds. The continuation of drought in Australia, where about one-fourth of the world's wool is produced, and growers' apprehension of a relatively low level of wool prices in the post-war period, may result in a further production decline in 1945. Production will be supported to some extent during the next few years, however, by Government purchase and loan programs in most of the important wool-producing countries. British meat purchase agreements with Australia and New Zealand, running through 1948, may also give some support to wool production in those countries.

United States mill consumption of apparel wool showed relatively little change in November, and the 1944 total is expected to be only slightly less than the 1,061 million pounds (grease basis) consumed in 1943. Only about 320 million pounds of the year's total seems likely to be domestic wool compared with a 1944 domestic production of about 420 million pounds. The demand in the next few months undoubtedly will be sufficient to support a material increase in consumption, but with a continued scarcity of factory workers, consumption is not expected to increase.

TOBACCO

The over-all consumption of tobacco products in this country is continuing at an exceptionally high rate, although it appears to have reached a peak for the war period. The tobacco industry is now experiencing serious difficulties in further expanding production, a situation which may continue to prevail as long as the war in Europe continues. While it is likely that after VE-Day the labor situation and other conditions may permit some further expansion in the production of tobacco products, particularly cigarettes, it seems likely that the over-all demand for tobacco products will decline below present record levels. Among the factors which would tend to cause a decline in demand would be a drop in consumer income, which is closely related to expenditures for tobacco products, reductions in military personnel and reduced use of tobacco products in war plants, where consumption is unusually high.

Although the quantity of tobacco available for purchase from the 1944 domestic crop is about 31 percent above last season and 32 percent above the 1933-42 average, the demand, largely because of the increased consumption of tobacco products and the relatively low level of leaf inventories, has been extremely active again this season. Reflecting the high level of cigarette consumption, prices of flue-cured and burley have been at or near the established ceilings. Some individual grades and lots of these tobaccos, however, have sold well below the ceilings.

With practically all of the 1944 crop of flue-cured already marketed, it appears that the season average price will be about 42-1/2 cents per pound, compared with 40.2 cents for the 1943 crop and with the record high of 44.4 in 1919. With these prices and the second largest crop ever produced, growers will receive the largest returns in history. So far this season about three-fifths of the burley crop has been sold at an average price of

45 cents per pound, compared with 45.5 for the 1943 crop. Inasmuch as the average quality of the 1944 crop of burley is lower than the 1943 crop, the average price paid growers for the entire season may be slightly below last season. With the crop by far the largest on record, burley growers will receive from the 1944 production a record high income which will be considerably in excess of that received last season.

Prices of all dark tobacco sold so far this season have averaged below a year earlier, although they are exceptionally high when compared with prices received prior to 1943. Demand was strong throughout last season, and prices advanced to the highest level in the history of the industry. Factors contributing to the strength in prices of dark tobacco this season and last are (1) the increased consumption of snuff and chewing tobacco, (2) the relatively low level of manufacturers' stocks, and (3) the expectation of an increase in exports to Africa and continental Europe, as additional countries are liberated and shipping conditions improve.

ECONOMIC TRENDS AFFECTING AGRICULTURE

Item	Unit or base period	1943 Year	1943 Dec.	1944 Sept.	1944 Oct.	1944 Nov.	1944 Dec.
Industrial Production 1/	1935-39						
Total	= 100	239	241	230	232	232	232
All manufactures	"	258	260	246	248	248	249
Durable goods	"	360	365	342	345	341	343
Nondurable goods	"	176	174	168	169	172	173
Minerals	"	132	137	143	143	143	137
Construction activity 1/	1935-39						
Contracts, total	= 100	123	106	68	73	80	96
Contracts, residential	"	98	86	32	32	32	34
Wholesale prices 2/	1935-39						
All commodities	= 100	128	128	129	129	130	---
All commodities except farm and food	"	119	120	121	122	122	---
Farm products	"	161	160	161	162	164	---
Food	"	135	134	132	132	133	---
Prices received and paid by farmers 3/	1910-14 = 100						
Prices received, all prod.	"	192	196	192	194	196	200
Prices paid, int. and taxes	"	162	167	170	170	171	171
Parity ratio	"	119	117	113	114	115	117
Consumer expenditures 4/	1935-39						
Total	= 100	155					
Cost of living 5/	1935-39						
Total	= 100	124	124	127	126	127	---
Food	"	138	137	137	136	137	---
Nonfood	"	116	118	121	121	121	---
Income	1935-39						
Nonagricultural payments 4/	= 100	207	219	230	232	234	---
Cash farm 3/	"	242	256	244	262	268	---
Income of Industrial Workers 3/	1935-39	306	316	307	306	305	---
Factory payrolls 5/	= 100	337	350	333	335	332	---
Weekly earnings of factory workers 5/	Dollars						
All manufacturing	"	43.16	44.58	46.25	46.98	---	---
Durable goods	"	49.32	50.50	52.19	53.24	---	---
Nondurable goods	"	34.12	35.61	37.67	37.99	---	---
Employment							
Total civilian 6/	Million	52.5	51.0	52.2	52.2	51.5	50.6
Employees in nonagri. est. 5/	Thous.	39,677	40,197	38,523	38,901	38,352	38,901
Farm 3/	"	10,263	9,519	11,040	11,839	10,690	9,337
Government finance (Federal) 7/	Mil. dol.						
Receipts, net	"	2.879	5,736	5,926	2,001	2,240	5,446
Expenditures	"	7,340	7,452	7,930	8,024	7,828	8,416

Sources: 1/ Federal Reserve Board; converted to a 1935-39 base. 2/ U. S. Dept. of Labor, B. L. S. 3/ U. S. Dept. of Agriculture, B. A. E. To convert prices received and prices paid interest and taxes to the 1935-39 base, multiply by .93110 and .77640 respectively. 4/ U. S. Dept. of Commerce. 5/ U. S. Dept. of Labor, B. L. S. 6/ U. S. Dept. of Commerce, Bureau of the Census. 7/ U. S. Dept. of Treasury, Data for 1943 are on average monthly basis.